



DEC 4 2003

The Honorable Jennifer M. Granholm
Governor of Michigan
Lansing, Michigan 48909

Dear Governor Granholm:

It is with pleasure that I respond to the State of Michigan's request for a waiver of statutory and regulatory requirements under the Workforce Investment Act (WIA) pursuant to the Secretary's authority to waive certain requirements of WIA Title I, subtitles B and E and Sections 8-10 of the Wagner-Peyser Act. This authority is granted to the Secretary by WIA Section 189(i)(4)(A), and set forth in the implementing regulations at 20 CFR 661.420.

These waivers grant states flexibility in program design for seamless program delivery and improved customer service, in exchange for accountability and agreed-to programmatic outcomes. After discussions with state staff regarding the initial request for a waiver, we are pleased to be able to respond to your request. The following is the disposition of the state's waiver submission.

Requested Waiver Provision: Waive the eligible training provider requirements in WIA Section 122.

The State of Michigan is requesting a waiver (copy enclosed) of the eligible training provider requirements in WIA Section 122, and is seeking to substitute its own system of review and rating of training providers for the Thumb Area Michigan Works! Employment and Training Consortium (Thumb Area), one of Michigan's designated local areas. According to the state, this change will increase the number of eligible training providers, expand the training choices available for customers, and allow the Thumb Area Workforce Development Board to more effectively address the immediate and long-term workforce needs of the local area. The waiver is written in the format identified in WIA Section 189(i)(4)(B) and 20 CFR 661.420(c), and appears to meet the standard for approval at 20 CFR 661.420(e).

In an effort to be responsive to the state, we contacted Mr. John Palmer of your staff to discuss available options in addressing the state's request. We indicated to Mr. Palmer that provisions relating to the eligibility of training providers are excluded from the Secretary's waiver authority and cannot be waived. We advised him that we were willing to grant a waiver to extend the period of initial eligibility of training providers,



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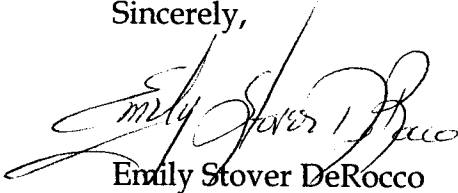
consistent with prior approvals for other states requesting a similar waiver, if the state desired. Based on this discussion, the state agreed to accept such a waiver.

Accordingly, the State of Michigan is granted a waiver of the time limit on the period of initial eligibility of training providers at 20 CFR 663.530, to extend the period of initial eligibility through June 30, 2004. The waiver applies to one local area, the Thumb Area Michigan Works! Employment and Training Consortium. Under this waiver, the local area will be able to operate a one-year pilot of the state's proposed eligible training provider rating system using providers from the initial eligible training provider list. We hope this waiver will assist Thumb Area in achieving its desired goals.

The granted waiver is incorporated by reference into the state's WIA Grant Agreement, as provided for under paragraph 3 of the executed Agreement, and also constitutes a modification of Michigan's approved five-year strategic plan. A copy of this letter should be filed with the state's WIA Grant Agreement and the state's approved five-year strategic plan, as appropriate.

We look forward to continuing our partnership with you and to the achievement of better workforce investment outcomes. Pending the outcome of WIA reauthorization, we may consider extension of the granted waiver at a later date. We are prepared to entertain other state and local-level waiver requests that Michigan may wish to submit, consistent with the provisions of WIA and the regulations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Emily Stover DeRocco", is written over a horizontal line.

Emily Stover DeRocco

Enclosure



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JENNIFER M. GRANHOLM
~~XXXXXXXXXX~~
GOVERNOR

April 8, 2003

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RECEIVED
U.S. DEPT OF LABO
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EMPLOYMENT & TRAINING
ADMIN.-CHICAGO

Mr. Byron Zuidema
Regional Administrator
Employment and Training Administration
United States Department of Labor, Region V
John C. Kluczynski Building
230 South Dearborn Street, 6th Floor
Chicago, Illinois 60605-1505

Dear Mr. Zuidema:

Enclosed is Michigan's request for a one-year waiver regarding the Workforce Investment Act's (WIA's) Individual Training Account (ITA) approved service provider requirements described in WIA Section 122. The enclosed waiver is presented in the format requested in WIA Section 189(i)(4)(B) and WIA Regulations 661.420 (c). This waiver is being requested for the Thumb Area Michigan Works! Employment and Training Consortium, one of Michigan's designated local areas.

In recent years, the current ITA system for empowering client customers to make training choices has become one of exclusion rather than inclusion. Typically, the bulk of qualified training service providers in all areas are not willing to dedicate the manpower necessary to fulfill the WIA-ITA data requirements. This results in limited training opportunities and/or options manipulated to gain only temporary access to the approved service provider system.

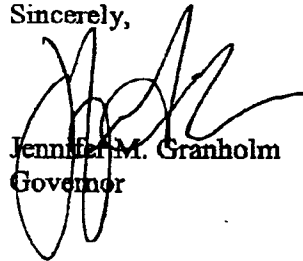
This waiver request is based on input from the Thumb Area Michigan Works! Employment and Training Consortium's two-year strategic planning initiative and its extensive voucher based service delivery experience. The local Workforce Investment Board approved the waiver request at its March 14, 2003, meeting.

Michigan is committed to delivering quality employment and training programs under the WIA. We believe that this waiver will result in improved program performance and training services for our WIA customers. Furthermore, this waiver will offer the entire workforce development system a realistic accountable alternative for training service provisions, and we request that the waiver be granted.

Mr. Byron Zuidema
April 8, 2003
Page Two

If you have any questions concerning this request, please contact Mr. John S. Palmer, Jr.,
Deputy Director, Workforce Programs, Michigan Department of Career Development, at
(517) 241-4000. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Granholm", is written over the printed name and title.

Jennifer M. Granholm
Governor

JMG:dh

Enclosure

cc: Dr. Marvin N. Pichla
John S. Palmer, Jr.

THUMB AREA MICHIGAN WORKS! Waiver Request Plan

- I. **Purpose:** The purpose of this Waiver Request Plan is to provide an individual training account service provider performance and cost information requirement alternative. The alternative would be verifiable and accountable. The alternative would establish an inclusive model for recruiting eligible training service providers, more fully empower individuals to obtain needed services and information to enhance their employment opportunities, and allow the Thumb Area Workforce Development Board to address the immediate and longer-term workforce needs as documented in the Board's strategic plan and further complicated due to recent plant closings across the region.
- II. **References:** Public Law 105-220 Workforce Investment Act of 1998. Chapter 3 – Workforce Investment Activities Provider.

Section 122. Identification of Eligible Providers of Training Services

- (a) Eligibility Requirements
- (b) Initial Eligibility Determination
- (c) Subsequent Eligibility Determination
- (d) Performance and Cost Information
- (e) Local Identification
- (f) Enforcement
- (g) Appeal
- (h) On-The-Job Training or Customized Training Exceptions

- III. **Background:** The Thumb Area Michigan Works! Agency has operated a client-customer driven voucher system in its delivery of employment training services to program eligibles since 1996. This experience increased in value with the passage of the Workforce Investment Act and its primary "Principles." Applicable excerpts from the WIA Principles are provided below.

WIA reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. This new law embodies seven key principles. They are:

- **Streamlining services** through better integration at the street level in the One-Stop delivery system. Programs and providers will co-locate, coordinate and integrate activities and information, so that the system as a whole is coherent and accessible for individuals and businesses alike.
- **Empowering individuals** in several ways. First, eligible adults are given financial power to use Individual Training Accounts (ITA's) and qualified institutions. These ITA's supplement financial aid already available through other sources, or, if no other financial aid is available, they may pay for all the costs of training.

Second, individuals are empowered with greater levels of information and guidance, through a system of consumer reports providing key information on the performance outcomes of training and education providers. Third, individuals are empowered through the advice, guidance, and support available through the One-Stop system, and the activities of One-Stop partners.

- *Universal access.* Any individual will have access to the One-Stop system and to core employment-related services. Information about job vacancies, career options, student financial aid, relevant employment trends, and instruction on how to conduct a job search, write a resume, or interview with an employer is available to any job seeker in the U.S., or anyone who wants to advance his or her career.
- *Increased accountability.* The goal of the Act is to increase employment, retention, and earnings of participants, and in doing so, improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. Consistent with this goal, the Act identifies core indicators of performance that State and local entities managing the workforce investment system must meet – or suffer sanctions. However, State and local entities exceeding the performance levels can receive incentive funds. Training providers and their programs also have to demonstrate successful performance to remain eligible to receive funds under the Act. And participants, with their ITA's, have the opportunity to make training choices based on program outcomes. To survive in the market, training providers must make accountability for performance and customer satisfaction a top priority.

Thumb Area Strategic Plan: In 2000-2002, the Thumb Area conducted a comprehensive strategic planning initiative in which the workforce development needs of the region were analyzed. The analysis, which was conducted by Public Policy Associates, Inc., revealed a severe gap between the high-demand occupation job forecasts and the number of training programs available to meet these needs. The gap was further magnified by the lack of ITA eligible training programs available in high demand occupations that are prevalent across the region, including skilled trades, machine operators, information technologists, medical assistants, medical-records technicians, emergency medical technicians, and numerical control machine operators.

- IV. Problem: The problem addressed by this Waiver Request Plan is the client-customer empowerment and career management choices limitations evolving from the implementation of the Individual Training Account (ITA) system in our rural setting.

The workforce training system in the Thumb Area has observed a "reversal of opportunities phenomenon" with regard to training providers participating in the existing ITA system. It appears that for a variety of reasons, only a limited number of training institutions both public and private have elected to become fully involved in the data cumbersome ITA process. The final result is a decrease instead of an increase in client-customer choices.

While the lack of participation is a problem across the State of Michigan, the problem presents many different challenges in the Thumb Area due to its rural nature.

- *Training Provider/Program Gap.* The training provider/program gap is particularly acute in the Thumb Area, which suffers from a limited supply of training vendors. Those that do serve the Thumb Area operate on a small scale and have very limited resources available for participant data collection and follow-up. In fact, due to severe budget shortfalls throughout the state of Michigan, these providers face immediate, extensive cuts in their basic operating budgets. Based upon recent data from the State of Michigan's Office of Management and Budget, the budget situation for the coming years may be even more problematic, forcing public education institutions offering adult education programs to make painful cuts in basic programs and services.
- *Budget Crisis.* Because of the predominantly rural character of the Thumb Area, the small number of ITA recipients simply does not justify the expense of participant data collection and follow-up under the existing eligible training provider requirements of WIA. When faced with the choice of maintaining basic services or expending funds for collecting and reporting these data, it should come as no surprise that the number of ITA eligible training programs is declining.
- *Plant Closings.* Recent plant closings in the Thumb Area have exacerbated the problem. Area residents who have lost their jobs are proud, hard-working community members who cannot afford the luxury of extensive retraining prior to returning to the workforce. The lack of approved training programs continues to be a serious barrier to obtaining targeted, short-term occupational training. Given the budgetary situation described above, it is unlikely that this situation will improve in the foreseeable future.

V. Waiver Plan: As required under Section 189(i) of the WIA and Section 661.420 of the WIA Final Rules, outlined below are the elements of the Thumb Area Michigan Works! Waiver Plan. This Waiver Plan has been prepared to improve the workforce investment system in the Michigan counties of Huron, Lapeer, Sanilac and Tuscola (commonly referred to as the Thumb Area).

- A. Plan Goals: The goals of this Waiver Plan have been established as a result of a combination of interrelated factors, including the limitations of the ITA system, the current and anticipated shortfalls in the state budget, recent plant closings, and the outcomes of the Thumb Area Workforce Investment Development Board's Strategic Plan that found a severe gap in the number of training programs addressing high demand occupations. Basic goals include the following:
 - 1. Expanded client-customer employment training options and innovative individual service choice.

2. Greater participation by training service providers in the WIA career development system.
3. Improved consistency in service provider evaluation and cost information.
4. Creation of an inclusive service provider system which denotes quality via a tiered ranking system.

B. State/Local Barriers: The ITA system utilized by the State of Michigan is entitled "Career Education Consumer Report (CRS)." The existing system serves a two-fold function in that it accommodates the ITA-eligible training program approval process and at the same time operates as a universal marketing mechanism for statewide education and training services. Despite efforts to streamline the data collection process and facilitate use of the CRS by training providers, the fact is many training providers that are in the Thumb Area have not participated due to the financial constraints discussed in earlier sections of this waiver request. This lack of participation limits choices for WIA participants and undermines the Board's efforts to link workforce development and economic development for the region.

As mentioned earlier, the State/Local barriers realized through full implementation of the Career Education Consumer report system in the Thumb Area include:

1. *Incomplete data availability.* Existing ITA-eligible training programs posted on the CRS provide a smattering of occupational training program options that limit individual choice and are not aligned with the workforce investment priorities of the Board.
2. *Inconsistent training service measureability.* This is a particularly acute problem in the Thumb where there are small numbers of enrollees in selected training programs. As a result, the statistical data, which in theory was intended to help customers make better decisions based upon the quality of the training program, is of limited value, and may, in fact, be seriously misleading.
3. *Operational constraints.* Training providers in the Thumb are under increasing financial pressure to trim operating budgets. This pressure is making it increasingly difficult for training providers to justify the continued expense of complying with the reporting requirements for eligible training providers under WIA.
4. *Erosion of Quality of Available Programs/Vendors.* Due to the many financial disincentives to participate in the eligible training provider system, it is becoming increasingly clear that training providers who are able to deliver services outside of the ITA system are strongly inclined to do so. As a result, in the Thumb Area the system is attracting growing numbers of marginal training providers with limited track records and

questionable program offerings. This situation stands in stark contrast to the stated goals of the ITA system, and is particularly problematic in the Thumb. If the Thumb Area Michigan Works! Agency is granted approval of the requested waiver, the expected programmatic outcomes would be the realization of the plan goals previously identified.

- C. Individuals Affected: The client-customers most affected by the limited current Eligible Training Provider offerings in the TAMW include eligible adults and dislocated workers. Therefore, this request for waiver will allow for improved and expanded training service availability for all WIA eligibles. In addition, the alternative approach proposed here is expected to be of substantial value in the event that Individual Reemployment Account legislation is passed in the near future.
- D. Tiered Provider System: The Thumb Area Michigan Works! Agency would introduce its Tiered Provider System effective July 1, 2003. In contrast with the current WIA requirements for review and approval of training *programs*, the approach proposed for use in the Thumb will focus on review and ratings of training *providers/institutions*. The Tiered Provider System would invite all training institutions to submit an application to participate in the new system. The Thumb Area Tiered Provider System would allow all training providers participation and rankings would occur as follows:

Tier #1 – Excellent
Tier #2 – Good
Tier #3 – Average
Tier #4 – Minimal
Tier #5 – Lacking

Classifications and beginning criteria for the Tiered Provider System would include:

Quality

- Has certified, trained staff
- Has earned industry or professional accreditation
- Cleanliness is maintained
- Provides customer service training for employees
- Has quality improvement process for customer service

Timeliness

- Offers flexible scheduling
- Admissions/course advisory appointments available

Accessible

- Near public transportation

- Meets ADA accessibility requirements
- Serves the Thumb area

Cost

- Charges posted and itemized
- Payment plans offered
- Discounts available to One-Stop Customers

Customer Satisfaction

- Friendly Staff
- Knowledgeable staff
- Satisfaction with services received.
- Ratings of quality, timeliness, accessibility, cost

Business Results

- Customer outcomes are measured
- Customer outcomes are used to inform continuous improvement process
- Performance information is disseminated regionally

Ranking data from each training institution would be gathered by an independent agent and submitted to the Thumb Area Workforce Investment Development Board for final tier assignments. Data would be collected yearly, however, each provider would have the option of submitting any changes that may affect its ranking throughout the year. Tier ranking would be determined based on each institution as a whole, not on each individual class, credential, program or degree.

The Thumb Area Tiered Provider System's structure and organization would facilitate greater training provider participation, establish a more applicable rating criteria, encourage vertical mobility for progressive institutions, retain an operation and management openness to all involved, and be more consistent and adaptable for regular evaluation and monitoring.

- E. Input and Comment: The Thumb Area Michigan Works! Agency would work with the State of Michigan to provide notice to any Local Board affected by this waiver. Also, the Agency would encourage ongoing, meaningful public comment on the waiver.
- F. Evaluation Component: The Thumb Area Michigan Works! Agency understands the importance of an evaluation mechanism to measure the performance of its tiered provider program. The evaluation will define both long-term and short-term success of the tiered provider system overall and will evaluate both the implementation and impact of the system on training participants and providers.

The evaluation mechanism will develop systematic performance measures that will document the implementation and impact of the program, guarantee accountability, and

provide an incentive for continuous improvement of the system. Some of the performance measures will include:

- Impact of the system on training program enrollment patterns
- Impact of the system on training provider participation in the workforce investment system
- Customer satisfaction surveys of each participant
- Wage and placement data and retention
- Training provider satisfaction surveys

Much of this information is already being collected. The TAMW plans to collect data throughout the year and perform a gaps analysis yearly. Any programmatic changes will occur yearly after the evaluation efforts have been completed.

Once the waiver is approved, a comprehensive evaluation plan will be developed and implemented.